RECORD AND BRIEFS

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No. 16-341

IN THE
Supreme Court of the United States

TC HEARTLAND LLC,
d/b/a HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Petition for a Writ of Certiorari to the U.S. Court of Appeals for the Federal Circuit

BRIEF OF WASHINGTON LEGAL FOUNDATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

The patent venue statute, 28 U.S.C. § 1400(b), provides that patent infringement actions "may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." The statute governing "[v]enue generally," 28 U.S.C. § 1391, has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts—including districts in which the defendant lacks "a regular and established place of business."

Respondent filed a patent-infringement suit against Petitioner in the U.S. District Court for the District of Delaware, alleging that Petitioner committed infringing acts throughout the United States, that venue was proper, and that the district court possessed personal jurisdiction over Petitioner with respect to all such acts. It is uncontested that Petitioner is not incorporated in Delaware, nor does it maintain a regular and established place of business within the State. Petitioner challenges the lower courts' determination that venue is proper in Delaware.

The question in this case is precisely the same as the issued decided in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957):

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent-infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

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INTERESTS OF *AMICUS CURIAE*

Washington Legal Foundation (WLF) is a non-profit public interest law firm and policy center with supporters in all 50 states.[1] WLF devotes a substantial portion of its resources to defending free enterprise, individual rights, a limited and accountable government, and the rule of law.

To that end, WLF has regularly appeared before this Court and other federal courts in cases raising important patent-law issues. *See, e.g., SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927, *cert. granted*, 136 S. Ct. 1824 (2016); *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401 (2015). WLF has also frequently appeared in federal and state courts in cases implicating constitutional limitations on the courts' authority to exercise personal jurisdiction over an out-of-state defendant. *See, e.g., Goodyear Dunlop Tires Operations, S.A. v. Brown*, 564 U.S. 915 (2011); *Bristol-Myers Squibb Co. v. Superior Court*, 1 Cal. 5th 783 (2016).

WLF fully supports Petitioner's request that the Court review the Federal Circuit's decision, which construes federal venue statutes so broadly that many nationwide businesses are subject to suit in virtually any federal district court. WLF is writing separately to

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[1] Pursuant to Supreme Court Rule 37.6, WLF states that no counsel for a party authored this brief in whole or in part; and that no person or entity, other than WLF and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. More than 10 days prior to the due date, counsel for WLF provided counsel for Respondent with notice of its intent to file. All parties have consented to the filing; letters of consent have been lodged with the Court.

focus on the due process issues implicated by that decision. WLF believes that subjecting a patent-infringement defendant to personal jurisdiction in a district located in a State in which it is not incorporated and does not maintain a regular and established place of business raises serious due process concerns, particularly with respect to allegedly infringing activity that lacks any relationship to the forum State.

WLF is concerned that unless courts apply the doctrine of constitutional avoidance to interpret federal venue statutes in the manner urged by Petitioner, the constitutionality of those statutes will be called into serious question as applied to out-of-state defendants. WLF is also concerned that the Federal Circuit, by issuing decisions that disregard this Court's longstanding recognition of strict statutory limits on venue in patent cases, has encouraged rampant forum shopping.

STATEMENT OF THE CASE

Petitioner TC Heartland, LLC ("Heartland") is a limited liability company organized under Indiana law with its principal place of business in that State. It is not registered to do business in Delaware, nor does it maintain a regular or established place of business in that State. Heartland manufactures and sells liquid water enhancer ("LWE") products. None of its customers are located in Delaware; however, two of its customers have directed Heartland to ship LWE products to facilities in Delaware. Those shipments account for about 2% of Heartland's total sales of LWE products.

Respondent Kraft Foods Group Brands LLC ("Kraft") filed suit against Heartland in U.S. District Court for the District of Delaware, alleging that all of Heartland's nationwide sales of LWE products infringe three patents held by Kraft. Heartland filed a motion seeking: (1) to dismiss the complaint for lack of personal jurisdiction; or (2) to transfer venue to the Southern District of Indiana. Heartland argued, *inter alia*, that the District of Delaware is not the judicial district where it "resides" within the meaning of 28 U.S.C. § 1400(b).

In his August 2015 Report and Recommendation, the magistrate judge recommended that the motion be denied. Pet. App. 18a-54a. He concluded that the Delaware court's exercise of personal jurisdiction over Heartland with respect to the 2% of LWE products shipped to Delaware was fair and reasonable—and thus consistent with due process constraints—because Heartland had "deliver[ed] its products into the stream of commerce with the expectation that they [would] be purchased by consumers in the forum State." *Id.* at 25a (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980)).

The magistrate judge also concluded that the district court could properly exercise personal jurisdiction with respect to infringement claims arising from the 98% of Heartland's LWE product sales that bore no relationship to Delaware. *Id.* at 28a-33a. Relying on the Federal Circuit's decision in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994), he concluded that Heartland's occasional shipments into Delaware sufficed to satisfy

due process requirements with respect to exercise of personal jurisdiction over Heartland for allegedly infringing sales that lacked any connection to Delaware. *Ibid.*

The magistrate judge also recommended rejecting Heartland's claim that federal law limits venue to either: (1) the Southern District of Indiana; or (2) any district "where the defendant has committed acts of infringement and has a regular and established place of business." Pet. App. 34a-40a (quoting 28 U.S.C. § 1400(b)). Citing *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1974), he concluded that venue was proper in Delaware because Heartland should be deemed a resident of Delaware for purposes of federal venue statutes. *Ibid.* He based that conclusion on: (1) 28 U.S.C. § 1391(c)'s statement that a corporate defendant should be "deemed to reside . . . in any judicial district in which [i]t is subject to the court's personal jurisdiction with respect to the civil action in question"; and (2) his previous conclusion that Heartland was subject to personal jurisdiction in Delaware with respect to non-Delaware infringing sales. *Ibid.*

In September 2015, the district court adopted the magistrate judge's report "in all respects." Pet. App. 13a-17a. It concluded that the Federal Circuit's *VE Holding* decision—not this Court's decision in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957)—controlled with respect to the scope of venue in patent-infringement litigation. *Id.* at 16a.

Heartland then timely petitioned the Federal Circuit for a writ of mandamus under 28 U.S.C. § 1651,

which authorizes appellate courts to review whether a district court has wrongly refused to dismiss or transfer a case where venue is improper. *See Hoffman v. Blaski*, 363 U.S. 335, 336-44 (1960). The petition was fully briefed by the parties, and the appeals court conducted oral argument before a three-judge panel.

The Federal Circuit denied the petition. Pet. App. 1a-12a. It declined to follow *Fourco*, explaining that *Fourco*'s narrow interpretation of where a corporation "resides" for purposes of the patent venue statute, 28 U.S.C. § 1400(b), was superseded by a 1988 law. *Id.* at 6a. While *Fourco* held that § 1400(b) did not incorporate 28 U.S.C. § 1391(c)'s broad definition of corporate residence, the appeals court concluded that 1988 amendments to § 1391(c) for the first time "made the definition of corporate residence applicable to patent cases." *Ibid.*

The appeals court also rejected Heartland's personal jurisdiction arguments, which it concluded "were foreclosed by our decision in *Beverly Hills Fan*." *Id.* at 7a. It concluded that invoking the Delaware long-arm statute to exercise personal jurisdiction over Heartland with respect to all allegedly infringing activity, even the 98% of such activity that bore no relationship to Delaware, was consistent with constraints imposed on courts by the Due Process Clause. *Id.* at 7a-8a.

SUMMARY OF ARGUMENT

The patent venue statute provides a patentee a choice of multiple forums within which to sue alleged infringers of its patent. The patentee may sue the

alleged infringer "in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b).

But Kraft is not satisfied with that range of choices. Ignoring statutory language indicating that an alleged infringer "resides" in one and only one district (*e.g.*, § 1400(b)'s reference to "the" judicial district where the defendant resides), Kraft argues (and the appeals court agreed) that an alleged infringer "resides" in any district within which it is subject to the district court's personal jurisdiction over *any portion* of its infringing activity. Under that broad definition of "resides," a firm that conducts business on a nationwide basis is generally subject to a nationwide patent-infringement lawsuit *in any of the 50 States*—including States in which it has no regular and established place of business. Review is warranted because the Federal Circuit's expansive definition of "resides" cannot be squared with *Fourco* and has led to rampant forum shopping,

Review is also warranted because the appeals court's ruling raises serious constitutional concerns. The ruling interprets federal law as permitting out-of-state defendants to be haled into courts in jurisdictions with which they lack the requisite "minimum contacts," to answer patent-infringement claims. When, as here, a plaintiff relies on state law to assert personal jurisdiction, the Due Process Clause bars the exercise of jurisdiction over nonconsenting, out-of-state defendants unless the suit is brought to enforce "obligations [that] arise out of or are connected with the [defendant's] activities within the state."

International Shoe Co. v. Washington, 326 U.S. 310, 319 (1945). Yet, 98% of the infringement claims that Kraft seeks to adjudicate in a Delaware court have absolutely no connection with the State.

It is a "cardinal principle of statutory interpretation" that "when an Act of Congress raises a serious doubt as to its constitutionality, this Court will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Zadvydas v. Davis*, 533 U.S. 678, 689 (2001). By interpreting § 1400(b)'s phrase "the judicial district where the defendant resides" as referring solely to the alleged infringer's place of incorporation, the courts could avoid the due process concerns described above. Moreover, that construction is "fairly possible," given that this Court adopted that construction of § 1400(b) in *Fourco*. Review is warranted to determine whether the doctrine of constitutional avoidance requires adoption of Heartland's construction of the patent statutes.

REASONS FOR GRANTING THE PETITION

I. REVIEW IS WARRANTED TO RESOLVE THE DIRECT CONFLICT BETWEEN THE DECISION BELOW AND THIS COURT'S PATENT VENUE PRECEDENTS

The Federal Circuit concedes that, at least until 1988, federal law limited venue in patent-infringement litigation against a corporate defendant to federal districts in which: (1) the defendant is incorporated; or (2) the corporation has committed infringing acts *and* has a regular and established place of business. This

Court so held in 1957 in *Fourco*, based on its construction of 28 U.S.C. § 1400(b).[2] Congress adopted § 1400(b) in 1948; the statute has remained unchanged ever since. *Fourco* held that, with respect to a corporation, the phrase "where the defendant resides" means "the state of incorporation only." 353 U.S. at 226.

Fourco rejected the patentee's argument that venue in patent-infringement actions should be understood "to be supplemented by the provisions of 28 U.S.C. § 1391(c)," the general venue statute. The "residence" of a corporation is defined quite broadly under both the 1950's version and the current version of § 1391(c).[3] *Fourco* concluded that Congress intended

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[2] Section 1400(b) states:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

[3] In 1952, the general venue statute stated, with respect to corporations:

> **§ 1391. Venue generally.**
>
> * * *
>
> (c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

28 U.S.C. § 1391(c) (1952). Congress amended Section § 1391(c) slightly in 1988 and again in 2011. The principal difference

that § 1391(c) should not apply to patent matters and that "§ 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions." *Fourco*, 353 U.S. at 229.

The Federal Circuit contends, however, that Congress radically changed the meaning of § 1400(b) when it amended the language of § 1391(c) in 1988, as described in Footnote 3. In a 1990 decision, the appeals court held that although Congress made no changes in the wording of § 1400(b) in 1988, Congress's amendment to § 1391(c) accomplished what *Fourco* held that the earlier version of § 1391(c) had not accomplished: the incorporation of the general venue statute's broad definition of corporate residency into § 1400(b)'s provision permitting patent-infringement venue "in the judicial district where the defendant resides." *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). In its decision

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between the initial sentences of the 1952 and 1988 versions was that the phrase "for venue purposes" was moved from the end of the sentence to the beginning. As amended in 1988, the sentence stated:

> For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

28 U.S.C. § 1391(c) (1988). The 1948, 1988, and 2011 versions of the general venue statute all broadly authorize venue in any district in which a corporation is doing business, at least with respect to business that is related to the litigation (and thus that can subject the corporation to personal jurisdiction within the district).

below, the Federal Circuit reaffirmed *VE Holding* and rejected Heartland's argument that a 2011 amendment to § 1391(c) eliminated any plausible basis for the appeals court's interpretation of § 1400(b). Pet. App. 4a-8a.

Heartland's petition explains in detail why *VE Holding* and the decision below directly conflict both with *Fourco* and with earlier Supreme Court decisions that narrowly interpreted federal statutes governing venue in patent-infringement litigation. *See, e.g.*, Pet. 10-11 (discussing *Stonite Prods. Co. v. Melvyn Lloyd Co.*, 315 U.S. 561 (1942)). WLF will not repeat those arguments here. It suffices to say that WLF fully agrees with Heartland's contention that the conflict between the decisions of the Federal Circuit and this Court warrants plenary review, if not a summary reversal. WLF does, however, wish to focus attention on several points that merit special emphasis.

A. The 1991 Amendments Must Be Considered Within the Context of a Century of Special Rules Governing Patent Venue

Congress adopted a patent venue statute—the predecessor of 28 U.S.C. § 1400(b)—as part of the Act of March 3, 1897, 29 Stat. 695. That statute, § 48 of the Judicial Code, stated that venue for patent-infringement actions existed "in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business."

The Court stated in *Stonite* that Congress adopted § 48 in order to "limit th[e] jurisdiction" of federal district courts over patent-infringement actions. 315 U.S. at 565 n.5. *Stonite* explained that Congress was responding to "abuses engendered by extensive venue" authorized by previous statutes governing federal courts; those statutes had permitted actions (including patent-infringement actions) to be maintained "wherever the defendant could be found." *Id.* at 563.

Congress had adopted a statute in 1887 that sought to impose general limits on venue, but courts responded by expressing uncertainty regarding whether those limitations applied to patent-infringement suits. *Id.* at 564. Congress's purpose in adopting § 48, whose sole subject was venue in patent litigation, was to "eliminate [that] uncertainty" by "defin[ing] the exact jurisdiction of the federal courts in actions to enforce patent rights." *Id.* at 565. The Court concluded, "That purpose indicates that Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue in civil suits, but rather that it alone should control venue in patent infringement proceedings." *Id.* at 565-66.

Relying heavily on the legislative history set forth in *Stonite*, the Court in *Fourco* concluded that Congress—when it replaced § 48 with the similarly worded 28 U.S.C. § 2400(b)—once again intended that venue in patent-infringement actions should be governed solely by the patent-specific venue provision, without reference to the general venue statute (28 U.S.C. § 1391(c)), which defined corporate residency more broadly. Given the century-long history of federal

legislation that treated 28 U.S.C. § 1400(b) (and its predecessor, § 48 of the Judicial Code) as "the sole and exclusive provision controlling venue in patent infringement actions," *Fourco*, 353 U.S. at 229, there is no basis for concluding that Congress intended to reverse that history when, in 1988, it amended § 1391(c) slightly while leaving § 1400(b) unchanged.

B. The Federal Circuit's Rationale Was Expressly Rejected by *Fourco*

The Federal Circuit's rationale for incorporating § 1391(c)'s definition of corporate "residence" into § 1400(b) is *the very same rationale* rejected by this Court in *Fourco*. The Federal Circuit concluded that Congress, by including in the 1988 version of § 1391(c) language that broadly defined corporate residence "*for purposes of venue under this chapter*," intended to incorporate that definition within § 1400(b)'s grant of venue "in the judicial district where the defendant resides." Pet. App. 6a. But *Fourco* held that § 1400(b) (which has remained unchanged since 1948) did *not* incorporate § 1391(c)'s broad definition of residence, despite the fact that the 1957 version of § 1391(c) stated that its definition applied "*for venue purposes*." Review is warranted to resolve the conflict between *Fourco* and the decision below, which could not be more stark.

C. Congress Adopted 28 U.S.C. § 1400(b) and Its Predecessor to Curtail Abuses of the Very Sort Fomented by the Decision Below

Stonite concluded that Congress in 1897 adopted the predecessor to § 1400(b) because of its concern over "abuses engendered by" liberal venue statutes, which had allowed patent-infringement defendants to be haled into court "wherever the defendant could be found." 315 U.S. at 563-64. That abuse-prevention rationale counsels strongly in favor of granting the petition. Heartland has ably demonstrated that the Federal Circuit's liberal interpretation of venue rules, under which corporations that conduct business nationwide are subject to patent-infringement claims in all 50 States without regard to whether they have a regular and established place of business there,[4] has fomented similar abuse.

That 44% of all patent-infringement cases are now being filed in a single district can only be explained by the belief among forum-shopping

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[4] Section 1400(b) permits venue in patent-infringement litigation in the judicial district: (1) "where the defendant resides"; or (2) "where the defendant has committed acts of infringement and has a regular and established place of business." The Federal Circuit's construction of the statute renders the second basis for establishing venue largely superfluous. If, as the Federal Circuit held, companies that sell products nationwide "reside" in all 50 States and thus are subject to patent-infringement suits everywhere, it can make no difference (for venue purposes) whether they have "a regular and established place of business" in the forum.

plaintiffs that the U.S. District Court for the Eastern District of Texas is particularly hospitable to patentees' claims. It certainly cannot be attributed to the convenience of that forum, which is home to no more than a handful of the firms that find themselves haled into court there. Such forum shopping is the very sort of "abuse" that, as *Stonite* recognized, Congress sought to guard against when it adopted legislation limiting venue in patent litigation.

II. REVIEW IS WARRANTED BECAUSE THE APPEALS COURT'S CONSTRUCTION OF 28 U.S.C. § 1400(b) RAISES SERIOUS DOUBTS REGARDING THE CONSTITUTIONALITY OF THE STATUTE AS APPLIED TO OUT-OF-STATE CORPORATIONS

The ruling below interprets federal law as permitting out-of-state defendants to be haled into federal court in districts in which they lack the "minimum contacts" that the Due Process Clause requires before a court may exercise personal jurisdiction over them. For example, the ruling below permits a Delaware court to exercise personal jurisdiction over claims that Heartland infringed three patents held by Kraft, even though 98% of those claims bear no relationship whatsoever to Delaware. Because the Federal Circuit's interpretation of § 1400(b) raises serious doubts about the constitutionality of that statute as applied to out-of-state corporations, review is warranted to determine whether the constitutional question can be avoided by adopting a plausible alternative reading of the statute.

A. When, as Here, the Exercise of Personal Jurisdiction Is Grounded in State Law, the Due Process Clause Imposes Strict Limits on the Exercise of Such Jurisdiction

"Federal courts ordinarily follow state law in determining the bounds of their jurisdiction over persons." *Daimler AG v. Bauman*, 134 S. Ct. 746, 753 (2014) (citing Fed.R.Civ.P. 4(k)(1)(A)). That is certainly true in this case; Kraft has no plausible claim the Delaware district court may assert personal jurisdiction over Heartland on the basis of *federal* law.[5]

Under Delaware's long-arm statute, Delaware state courts (and, accordingly, the U.S. District Court for the District of Delaware as well) may exercise personal jurisdiction on virtually any basis not inconsistent with the U.S. Constitution.[6] However, as

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[5] Federal law—which in appropriate circumstances may supplement state law in authorizing a federal court's exercise of personal jurisdiction, *see* Fed.R.Civ.P. 4(k)(2)—provides that "a patent infringement action [may be] commenced in a district where the defendant is not a resident but has a regular and established place of business" and that service of process may be made upon the defendant's "agent or agents conducting such business." 28 U.S.C. § 1694. But Kraft has never attempted to rely on that jurisdictional provision, nor could it—because Heartland does *not* have "a regular and established place of business" in Delaware.

[6] Delaware's long-arm statute reaches quite broadly, authorizing state courts to exercise personal jurisdiction over any nonresident who, *inter alia*, "Transacts any business or performs any character of work or services in the State," "Contracts to supply services or things in this State," or "Causes tortious injury

this Court has repeatedly reminded, the Fourteenth Amendment's Due Process Clause imposes strict limits on the authority of a state court to exercise personal jurisdiction over out-of-state defendants. *See, e.g., J. McIntyre Machinery, Ltd. v. Nicastro*, 564 U.S. 873, 881 (2011) (plurality) ("[T]hose who live or operate primarily outside a State have a due process right not to be subjected to judgment in its courts as a general matter."). Those limitations serve both to protect litigants from inconvenient or distant litigation and to recognize limits on the sovereignty of each State with respect to affairs arising in other States. *World-Wide Volkswagen*, 444 U.S. at 293.

The Court has consistently held that a state court may not exercise personal jurisdiction over an out-of-state defendant simply because the defendant has engaged in continuous and systematic activities within the State. Rather, personal jurisdiction also requires a showing that the defendant's activities are sufficiently connected to the claim. *See, e.g., Daimler*, 134 S. Ct. at 757 ("a corporation's 'continuous activity of some sort within a state is not enough to support the demand that the corporation be amenable to suits unrelated to that activity'") (quoting *Int'l Shoe*, 326 U.S. at 318); *Shaffer v. Heitner*, 433 U.S. 186, 204 (1977) ("the central concern of the inquiry into personal jurisdiction" is "the relationship among the defendant, the forum, *and the litigation*") (emphasis added). As *Daimler* explained, personal jurisdiction may not be exercised over nonresident defendants based on claims

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in the State by an act or omission in this State." 10 Del. C. § 3104(c).

"having nothing to do with anything that occurred or had its principal impact in" the forum state. *Daimler*, 134 S. Ct. at 762.

A defendant is generally required to answer any and all claims asserted in its "home" jurisdiction, even if the claim bears no relationship to the jurisdiction. The Court refers to an assertion of personal jurisdiction where the defendant is "at home" as an exercise of "general jurisdiction." *Goodyear*, 564 U.S. at 919. *Daimler* made plain, however, that an assertion of general jurisdiction over a corporation can be sustained in only two places: the State in which a corporation maintains its principal place of business and the State of incorporation. 134 S. Ct. at 760. In *Daimler*, the Court rejected the plaintiffs' request that it approve "the exercise of general jurisdiction in every State in which a corporation engages in a substantial, continuous, and systematic course of business," characterizing the plaintiffs' proposed formulation as "too grasping." *Id.* at 761.

It is undisputed that Heartland is not subject to general jurisdiction in Delaware. It is not incorporated in Delaware, nor does it maintain its principal place of business in the State. Thus, for the Delaware district court to properly exercise personal jurisdiction over Heartland with respect to each of the patent-infringement claims asserted by Kraft, it must do so on the basis of "specific jurisdiction"—that is, a showing that each claim "arises out of or relates to the defendant's contacts with the forum." *Id.* at 754.

B. The District Court Lacks Specific Jurisdiction over the 98% of Kraft's Infringement Claims that Do Not Relate to Heartland's Contacts with Delaware

For a court to exercise personal jurisdiction consistent with due process, "the defendant's suit-related conduct must create a substantial connection with the forum State." *Walden v. Fiore*, 134 S. Ct. 1115, 1121 (2014). Kraft can demonstrate the requisite minimum contacts with respect to its claims that Heartland shipped infringing LWE products to Delaware. While those shipments were relatively small and amounted to less than 2% of Heartland's total sales of the products, the Delaware-shipment claims allege a "substantial connection" between Delaware and the alleged patent infringement. Those claims arguably are adequate to allege that Heartland "deliver[ed] its products into the stream of commerce with the expectation that they [would] be purchased by consumers in the forum State." *World-Wide Volkswagen*, 444 U.S. at 298.

But the complaint is not limited to claims based on allegedly infringing acts with a connection to Delaware. Kraft also alleges that Heartland infringed its patents by manufacturing LWE products in Indiana and selling them in States other than Delaware. Those claims—which encompass more than 98% of Heartland's LWE product sales—bear absolutely no relationship to Delaware. Accordingly, specific jurisdiction cannot serve as a justification for the district court's exercise of personal jurisdiction over

those claims. It is true that Heartland has some contacts with Delaware—not only its small shipments of LWE products to Delaware at the request of customers not located in Delaware but also shipments to Delaware of other, non-infringing products of various kinds. But those contacts cannot justify an expansive exercise of specific jurisdiction because they bear no relationship to the claims at issue: the claims that Heartland infringed the patent by manufacturing LWE products and selling them in other States.

Patent law has long understood that each alleged infringement of a patent gives rise to a separate cause of action. *See, e.g., Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006); *E.I. du Pont de Nemours & Co. v. MacDermid Printing Sols., L.L.C.*, 525 F.3d 1353, 1362 (Fed. Cir. 2008). While a claim that a defendant sold an infringing product in California may raise one or more issues of fact that are common to issues of fact raised by a claim that the defendant also sold an infringing product in Delaware, they remain separate causes of action for which the plaintiff will need to submit separate evidence. Specific jurisdiction is limited to claims for which the defendant's forum contacts "gave rise to the liabilities sued on." *Daimler*, 134 S. Ct. at 754. Because Heartland's contacts with Delaware quite clearly did not "g[i]ve rise to" claims alleging that Heartland manufactured and sold infringing products outside of Delaware, specific jurisdiction cannot justify the district court's exercise of jurisdiction over those out-of-state claims.

In holding that Heartland's small number of LWE shipments to Delaware were sufficient to establish personal jurisdiction over Heartland with respect to infringement claims arising in the other 49 States and lacking any connection with Delaware, the Federal Circuit relied on its 1994 *Beverly Hills Fan* decision. Pet. App. 10a. But that decision is a relic of the pre-*Daimler* era, in which many federal courts of appeals permitted large corporations to be sued in any State in which they maintained a substantial presence.

Beverly Hills Fans concluded that nationwide jurisdiction over patent-infringement claims (in any district in which alleged infringement occurred) was warranted because it would "provid[e] a forum for efficiently litigating plaintiff's cause of action." 21 F.3d at 1568. But this Court has never permitted efficiency considerations to trump due process constraints on the exercise of personal jurisdiction. Those constraints impose firm limits on the authority of courts to exercise jurisdiction over claims and defendants that lack a sufficient connection to the forum:

> Even if the defendant would suffer minimal or no inconvenience from being forced to litigate before the tribunals of another State; even if the forum State has a strong interest in applying its laws to the controversy; even if the forum state is the most convenient location for litigation, the Due Process Clause, acting as an instrument of interstate federalism, may sometimes act to divest the State of its power to render a valid judgment.

World-Wide Volkswagen, 444 U.S. at 294.

Moreover, the Federal Circuit's rationale overlooks that there will always be some jurisdictions—perhaps many jurisdictions—in which a patentee can sue an alleged infringer for all infringing activity without regard to where it occurred. *Daimler* makes clear that a defendant will be subject to general jurisdiction in both its State of incorporation and the State in which it maintains its principal place of business. Moreover, Congress has established personal jurisdiction—for patent-infringement claims arising anywhere in the United States—in any district in which the defendant "is not a resident but has a regular and established place of business." 28 U.S.C. § 1694.

Thus, Kraft could have asserted its nationwide patent-infringement claims against Heartland not only in the Southern District of Indiana but also in any jurisdiction in which it could establish that Heartland maintains "a regular and established place of business." But because it is undisputed that Heartland does *not* maintain a regular and established place of business in Delaware, the district court lacks specific jurisdiction over any of Kraft's infringement claims other than the claims arising from the 2% of Heartland's LWE products that were shipped into Delaware.

C. Review Is Warranted to Determine Whether the Doctrine of Constitutional Avoidance Requires that 28 U.S.C. § 1400(b)'s Reference to Corporate Residence Be Interpreted Narrowly

It is a "cardinal principle of statutory interpretation" that "when an Act of Congress raises a serious doubt as to its constitutionality, this Court will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Zadvydas v. Davis*, 533 U.S. 678, 689 (2001). That doctrine provides that "where a statute is susceptible of two constructions, by one of which grave and doubtful constitutional questions arise and by the other of which such questions are avoided," a court's "duty is to adopt the latter." *Jones v. United States*, 526 U.S. 227, 239 (1999).

As demonstrated above, the Federal Circuit's interpretation of § 1400(b)—whereby corporations that sell products nationwide are subject to patent-infringement suits in all 50 states because they are deemed to "reside" in any State to which they ship infringing products—raises serious constitutional concerns. As so construed, the statute authorizes violation of a defendant's due process rights whenever it is applied to sanction the exercise of personal jurisdiction by a district court over an out-of-state corporation that lacks a regular and established place of business within the district. These serious constitutional concerns provide an additional reason to grant review. By granting review, the Court can

determine whether the construction of § 1400(b) urged by Heartland is "fairly possible" and thus required by the doctrine of constitutional avoidance.

Moreover, the petition amply demonstrates that Heartland's experience is not unique. The Federal Circuit's holding regarding where a corporation "resides" for purposes of § 1400(b) has led to hundreds of corporations being haled into federal district courts to answer patent-infringement claims over which the courts lack personal jurisdiction.

This widespread violation of due process rights has been most pronounced in the Eastern District of Texas, where 44% of all patent-infringement lawsuits were filed last year.[7] Many corporations that sell their products nationwide do not maintain regular and established places of business in the district—hardly a surprising fact given the district's largely rural character. The Eastern District's Divisions are located in the cities of Beaumont, Lufkin, Marshall, Sherman, Texarkana, and Tyler, Texas. The population of none of those cities exceeds 120,000, and only two have a population exceeding 40,000. Yet, because virtually all large corporations that sell their products nationwide sell a not-insubstantial number of products within the Eastern District, the Federal Circuit's interpretation of § 1400(b)—that the statute incorporates § 1391(c)'s definition of corporate residence—subjects those

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[7] Of the 5,830 patent-infringement lawsuits filed in federal district courts in 2015, 2,540 (43.6%) were filed in the Eastern District. Brian Howard, *Lex Machina 2015 End-of-Year Trends* (Jan. 7, 2016).

corporations to patent-infringement litigation in the district. Moreover, in accordance with Federal Circuit precedent, courts within the Eastern District exercise personal jurisdiction over *all* infringement claims asserted against corporate defendants, not simply those claims arising from infringing sales within the Eastern District.

The constitutional concerns that arise from the Federal Circuit's interpretation of §§ 1400(b) and 1391(c) can be avoided if the Court grants review and adopts the alternative interpretation urged by Heartland. Under that interpretation, a corporation "resides" (for purposes of § 1400(b)) in the district in which it is incorporated. As so interpreted, the statute provides that venue lies: (1) in the district in which the alleged infringer is incorporated; or (2) in any district in which it has committed acts of infringement and has a regular and established place of business. Adopting that interpretation would eliminate the constitutional concerns raised by the Federal Circuit's interpretation. Establishing venue in the district in which the defendant is incorporated is consistent with the due process limits on general jurisdiction established by *Daimler*; and establishing venue in a district in which the defendant has committed acts of infringement and has a regular and established place of business is consistent with due process because it is authorized by a federal statute (28 U.S.C. § 1694) governing the distribution of cases within the unified federal court system.

The interpretation urged by Heartland qualifies as "fairly possible" for purposes of applying the

doctrine of constitutional avoidance. That conclusion is self-evident in light of *Fourco* (in which the Court interpreted § 1400(b) precisely as urged by Heartland) and *Stonite* (in which the Court interpreted § 1400(b)'s predecessor statute in a like manner). In sum, the constitutional concern raised by the Federal Circuit's interpretation of § 1400(b) provides an additional ground for granting the petition in order to determine whether the Federal Circuit erred in rejecting *Fourco* and thereby vastly expanding venue in patent-infringement actions.

CONCLUSION

The Court should grant the Petition.

Respectfully submitted,

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